UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1994/54
10 August 1994

ORIGINAL: ENGLISH

Third regular session 1994
October 1994, New York
Item 5 of the provisional agenda
UNFPA

UNITED NATIONS POPULATION FUND

Audit Reports

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Introduction

1. In accordance with Governing Council decision 93/28, paragraph 5, adopted at its fortieth session, the Executive Director wishes to bring to the attention of the Executive Board "a summary of the significant observations of the external auditors of the United Nations Population Fund executing agencies, together with corrective action taken by the agencies" (see section I below). As in previous years, the Executive Director also wishes to take this opportunity to inform Board members of the actions taken, and comments made, in response to the Board of Auditors' report for the biennium ended 31 December 1993 (see section II).

I. United Nations executing agency audit reports: Summary of observations and corrective action taken by the agencies

2. Based on the audit opinions of external auditors in respect of funds advanced to United Nations specialized agencies by UNFPA, the United Nations Board of Auditors issued an unqualified opinion indicating that the financial status of funds submitted by the specialized agencies presented fairly the financial position and results of the projects funded by UNFPA for the biennial period ended 31 December 1993; that the status-of-funds reports prepared by the specialized agencies were in accordance with stated accounting policies, which had been applied on a basis consistent with that of the preceding financial period; and that the financial transactions conducted were in accordance with the agencies' Financial Regulations and the relevant resolutions adopted by their legislative or governing bodies.

3. The United Nations Board of Auditors audits and issues audit opinions on the financial statements of UNFPA as well as of the United Nations regional commissions and the other United Nations funds and programmes that execute projects funded by UNFPA. The Board therefore does not issue a separate audit opinion for each of these organizations on the programme expenditures and programme support costs funded by UNFPA. However, the United Nations Board of Auditors does not audit the financial statements of the United Nations specialized agencies. These agencies therefore have to submit to UNFPA the audit opinions of their external auditors in respect of the funds advanced to them by UNFPA.

4. In accordance with UNFPA Financial Regulation 17.1, the summary statements of status of funds allocated to United Nations specialized agencies in 1993 are also being submitted to this session of the Executive Board in the Fund's annual financial review (see tables 6 and 7, document DP/1994/53).

5. With regard to expenditures of projects executed by governments and non-governmental organizations, totaling $27.1 million or 12.5 per cent of the total programme expenditure, the Board of Auditors restricted its audit opinion to exclude these expenditures due to the absence of audit certificates at the date of finalization of the financial statements of UNFPA for the 1992-1993 biennium.

II. The Board of Auditors' recommendations to be taken up by the Fifth Committee of the forty-ninth General Assembly

6. This section of the report contains the comments of the Executive Director concerning the recommendations made in the Report of the United Nations Board of Auditors on the United Nations Population Fund for the biennium ended 31 December 1993 (Supplement No. 5G-A/49/5/Add. 7), and details of steps taken to implement those recommendations. The Annex to document A/49/5/Add.7 summarizes the follow-up action taken in respect of the recommendations of the Board of Auditors for the 1990-1991 biennium. These were reviewed by the Board in accordance with General Assembly resolution 47/211.

Auditors' recommendations	Administration's response
Advances to executing agencies	
(a) All executing agency disbursement reports received before the closure of the accounts should be reflected in the correct year of account (para. 32).	Measures are being taken to ensure that, in future, all disbursement reports are recorded in the accounting period to which they relate.
(b) UNFPA should ensure that disbursement reports from executing agencies are returned promptly to UNFPA and that the funds advanced to executing agencies are in accordance with their cash requirements (para. 33).	UNFPA is intensifying its efforts to ensure that disbursement reports are returned promptly to UNFPA. In addition, it has strengthened its mechanism for monitoring expenditures and for training project and field office staff.
Trust funds	
(c) In future, interest accrued on trust funds should be credited to the trust fund in the year it is earned (para. 46).	UNFPA agrees with this recommendation and has changed its policy accordingly.

Programme and project management

(d) Future programme review and strategy development (PRSD) exercises should include a full evaluation of past programme performance (para. 54).	UNFPA agrees that future PRSD exercises need to be strengthened to include a full evaluation of past programme performance. The PRSD guidelines, including the issue of a more complete evaluation of past programme performance and the implication for future programme activities, are being carefully reviewed and revised by an internal task force in light of the increased levels of authority delegated to the field offices, which took effect from December 1993.
(e) With regard to continuing problems with project design and formulation, greater effort should be devoted to training, particularly for field staff (para. 73).	UNFPA concurs with the recommendation concerning the need for training of field staff in order to overcome shortcomings in project design and has initiated appropriate training activities accordingly. The Fund has examined the entire project cycle and has summarized, in a single document, all existing UNFPA policies and procedures that pertain to the country programming cycle. The document is designed to provide guidance in the proper application of existing guidelines.
(f) Project appraisal procedures should be applied more vigorously at all levels (para. 73).	The Fund agrees that project appraisal procedures need to be applied more vigorously at all levels. As part of the overall review of the programme cycle referred to in the paragraph above, UNFPA is streamlining and strengthening procedures concerning project appraisal. In keeping with the increased decentralized authority to the field offices, UNFPA has instituted a number of new requirements, including a field-level Project Appraisal Committee (PAC), which is to function in the field in the same manner as the Project Review Committee (PRC) operates at headquarters, i.e., to review, appraise and recommend for approval project proposals.

(g) During project planning, more attention should be paid to assessing the capabilities of executing agencies (para. 77).	UNFPA is developing guidelines to assess the capabilities of national institutions to execute UNFPA-supported projects. In response to views expressed at the first annual session of the UNDP/UNFPA Executive Board in June 1994, the Executive Director indicated that UNFPA would undertake in 1996 an evaluation of its experience with executing agencies.
(h) Project documents should include a statement of the requirements expected of executing agencies. UNFPA should monitor performance against these statements (para. 80).	UNFPA is currently preparing new sectoral programme guidelines which will require that project documents include a statement of the requirements expected of executing agencies and a work plan to ensure that each component of the project is monitored on a month-by-month basis.
Procurement of goods and services	
(i) The policy of providing brand-name products on request should be reviewed, in the light of the significant potential savings arising from the substitution of equivalent generic products (para. 92).	The Fund has drafted guidelines to address this issue.
(j) UNFPA should take full advantage of the benefits accruing from a coordinated procurement activity (para. 94).	UNFPA works closely with cooperating agencies in order to coordinate the procurement of contraceptives. As a result, UNFPA has built up considerable expertise in the procurement of contraceptives on a competitive basis and is now one of the largest single procurers of contraceptives worldwide. UNFPA will continue its efforts to maximize the benefits of the coordinated procurement of contraceptives, including those to strengthen the Fund's capacity in this regard.

Management information technology

(k) All future information technology should be subject to a cost-benefit analysis (para. 109).	Where appropriate and practical, UNFPA will conduct cost-benefit analyses, to the extent possible, before it commences office-automation projects.

Conclusion

7. The Executive Director trusts that the above explanations have adequately addressed the issues of major concern raised by the United Nations Board of Auditors in its audit reports to the General Assembly on UNFPA.

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